

Rural Nonfarm Earnings Growth Lags Urban

During 1996, rural real earnings per nonfarm job grew more slowly than urban earnings. Earnings per job grew slightly faster in Black rural counties, but those and other minority counties still have jobs that average lower earnings than all rural jobs.

Rural real earnings per nonfarm job rose by a slight 0.1 percent during 1996, from \$22,465 in 1995 to \$22,492 in 1996 (fig. 1). Urban real earnings per nonfarm job increased at a faster pace (0.7 percent), rising from \$31,480 in 1995 to \$31,717 in 1996. Since 1990, earnings per nonfarm job have fallen less or increased more in rural than in urban areas in only 2 years, 1993 and 1994 (see app. table 8). The wide rural-urban earnings gap persists and widened slightly during the 1990's. In 1989, rural earnings per nonfarm job were 73.8 percent of urban earnings. By 1996, that ratio had fallen to 70.9 percent.

Rural Earnings Lag Urban in All Nonfarm Industries

The rural-urban gap in earnings per nonfarm job exists in all industry sectors (table 1). During the 1990's, the gap widened sharply in mining, transportation and public utilities, and finance, insurance, and real estate. The gap has been and remains largest in the finance, insurance, and real estate industry. Rural earnings were only 54.3 percent of urban earnings in this industry in 1989 and fell to 47.6 percent of urban earnings by 1996. Rural jobs in this industry are more often part time and in lower paying administrative support and clerical occupations while urban jobs in this industry are more often full time and in higher paying executive and technical occupations.

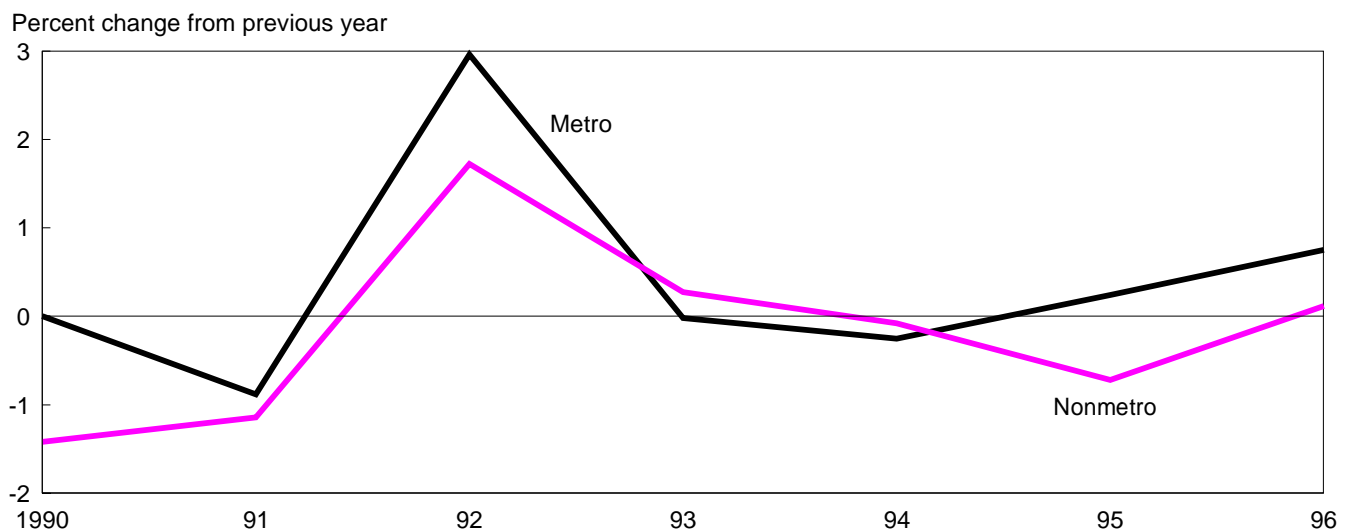
Earnings per Nonfarm Job Increased More in Black Counties

During the 1990's, real earnings per nonfarm job grew more in Black rural counties than earnings did in other types of nonmetro counties. From 1989, the last year of growth before the 1990-91 recession, to 1991, earnings per job fell at an annual rate of 1 percent in Black counties, a slower rate of decline than in all rural counties (table 2). From 1991 to 1996, earnings per nonfarm job increased by 0.6 percent annually in Black counties, twice the rate of increase in all nonmetro counties. And, in the most recent year, 1995-96, earnings growth in Black counties slowed to 0.2 percent, still twice the also-slowed

Figure 1

Annual change in real earnings per nonfarm job, 1989-96

Nonmetro earnings per job have grown more slowly or fallen farther than metro earnings in 5 of the last 7 years



Note: Previous years' earnings converted to 1996 dollars using the chained-type personal consumption expenditures price index.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Table 1

Nonmetro real earnings per nonfarm job, by industry, 1989 and 1996

Nonmetro earnings trail metro earnings in all nonfarm industries, and most gaps widened during the 1990's

Industry	1989		1996	
	Earnings per job	Ratio to metro earnings	Earnings per job	Ratio to metro earnings
	1996 dollars	Percent	Dollars	Percent
Nonmetro nonfarm	22,782	73.8	22,492	70.9
Forestry, fishing, and other ¹	15,642	86.0	13,622	81.6
Mining	36,649	92.5	38,062	78.2
Construction	26,587	73.8	24,446	74.0
Manufacturing	30,397	70.3	31,176	67.6
Transportation and public utilities	35,607	82.6	34,210	77.3
Wholesale trade	26,952	66.2	27,581	65.0
Retail trade	14,331	81.2	13,376	79.7
Finance, insurance, and real estate	14,872	54.3	16,854	47.6
Services	18,231	64.1	18,602	64.0
Government	24,731	77.9	25,719	76.8

¹Other is employees of foreign embassies working in the United States.

Note: Earnings and jobs in any industries other than government are suppressed in counties with few jobs in that industry or where a dominant employer accounts for a high share of the jobs in the industry. This suppression affects the calculation of earnings per job in both metro and nonmetro areas, causing the estimates shown here to vary somewhat from the true estimates that would be calculated if no county information were suppressed.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

rate of increase in all nonmetro counties. The gap between real earnings per nonfarm job in Black and all rural counties shrank from \$902 in 1989 to \$333 in 1996.

Native American counties had higher earnings per nonfarm job than did all nonmetro counties. High earnings of jobs in Alaska, where several of the Native American counties are located, accounted for the group's earnings exceeding all nonmetro counties' average earnings. Excluding the Alaska counties, the remaining Native American counties averaged slightly lower earnings than did all nonmetro counties.

Native American and Hispanic counties did not experience earnings trends like the rest of the country during the 1990's. Earnings per nonfarm job increased slightly in Hispanic counties during the 1990-91 recession, while earnings were falling elsewhere. Both Native American and Hispanic counties have averaged annual declines in earnings during the 1991-96 recovery and growth period for the national economy. In the most recent year, 1995-96, Hispanic counties had slight growth in earnings, but Native American counties had the same rate of earnings decline as they have averaged since the recession.

According to ERS' typology of nonmetro county types, many Black counties' economies depend on manufacturing for a large share of earnings and many of them have at least 40 percent of their workers commuting to jobs in other counties. According to ERS' urban influence codes, over half of Black counties are adjacent to metro areas, mostly small metro areas of fewer than 1 million residents. In contrast, many Native American counties depend on farming or government for a large share of earnings, none of them has high commuting, and most of them are remote from metro areas. Many Hispanic counties depend on farming or mining or government for a large share of earnings, few have high commuting, and over half of them are remote from metro areas. With so many Black county economies linked to the recession- and recovery-sensitive manufacturing industry

Table 2

Real earnings per nonfarm job, by place of work, selected years

Earnings per job in Black nonmetro counties improved relative to earnings in other nonmetro areas during the 1990's, but all types of nonmetro counties fell farther behind metro areas

Place of work	1989	1991	1996
1996 dollars			
Nonmetro	22,782	22,204	22,492
Black	21,880	21,457	22,159
Native American	24,888	24,724	24,014
Hispanic	21,401	21,424	21,311
Metro	30,856	30,584	31,717
United States	29,517	29,175	30,135
Average annual change			
	1989-91	1991-96	1995-96
Percent			
Nonmetro	-1.3	0.3	.1
Black	-1.0	.6	.2
Native American	-.3	-.6	-.6
Hispanic	.1	-.1	-.1
Metro	-.4	.7	.8
United States	-.6	.6	.7
Ratio of earnings to metro earnings			
	1989	1991	1996
Percent			
Nonmetro	73.8	72.6	70.9
Black	70.9	70.2	69.9
Native American	80.7	80.8	75.7
Hispanic	69.4	70.0	67.2

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

and to metro area jobs, it is not surprising that their earnings behave like all nonmetro and national earnings. Native American and Hispanic county economies are more often tied to countercyclical or recession-neutral industries and have less access to metro area jobs, helping to explain why their earnings do not follow national trends.

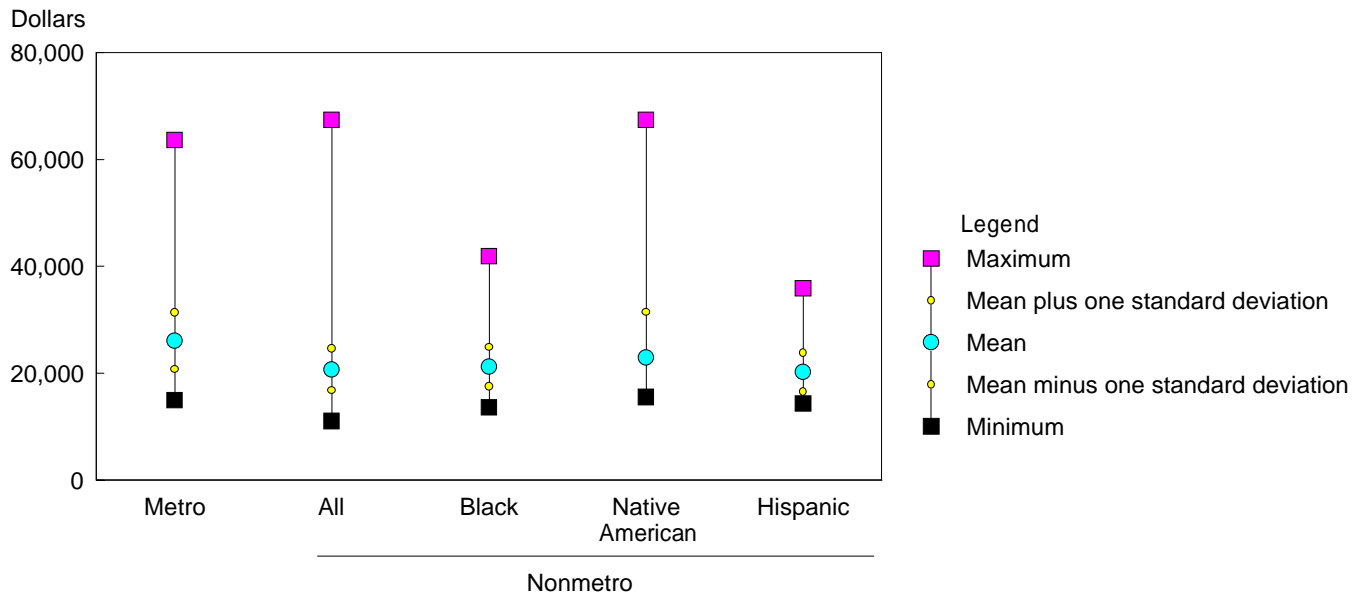
Earnings per Job Vary Less Among Black and Hispanic Counties

Earnings per job discussed so far represent the sum of earnings in the group of counties divided by all jobs in the group of counties. That statistic represents the status of each group, but individual counties in any group may have earnings that differ greatly from the group's average earnings. Figure 2 shows the ranges of earnings per job among counties in each group. Black and Hispanic rural counties have much smaller ranges of earnings than the other groups. As mentioned above, Native American counties include several

Figure 2

Ranges of earnings per nonfarm job among counties, by racial/ethnic status, 1996

Nonmetro Native American counties have a much wider range of earnings than Black or Hispanic counties do because several Alaskan counties with high proportions of Eskimo and Aleut residents have some very high-paying jobs



Note: At least three-quarters of the counties in each group have earnings per nonfarm job within plus or minus one standard deviation of the mean. The mean minus one standard deviation point in the nonmetro Native American group is not shown because it is below the actual minimum. Source: Calculated by ERS using data from the Bureau of Economic Analysis.

very high earnings counties in Alaska. They are the counties with the highest earnings per nonfarm job in the Nation, so they put the maximum earnings for nonmetro and Native American counties higher than the maximum earnings for metro counties. All groups of counties have high outliers that put the maximum well above the mean. At least three-quarters of the counties in each group have earnings within plus or minus one standard deviation of the mean, showing that the average earnings of the group is representative of the earnings status of most counties in the group.

Another way to investigate the diversity in earnings among the minority counties is to look at trends for the subgroups of counties, substantial and predominant, within each minority group. The subgroups' earnings are shown in appendix table 9 (see p. 129). In 1996, the predominantly Black and Hispanic counties had lower earnings per nonfarm job than the substantially Black and Hispanic counties. In contrast, the predominantly Native American counties had higher earnings per job than the substantially Native American counties. Again, the Alaska counties account for this difference. During the 1990's, real earnings per job have grown more in the predominantly Black counties than in any other of the county groups. The ratio of the predominantly Black counties' earnings to metro earnings improved from 68.7 percent in 1989 to 69.0 percent in 1996. That is a little improvement, but all other minority subgroups and rural areas overall lost relative to metro earnings.

Although many of the trends in minority counties' earnings have been positive, these trends represent what has happened to the earnings of all jobs in the counties, not only those held by minorities. The article on earnings of rural minority workers (see pp. 59-62), however, also finds that rural Blacks' weekly earnings are growing faster than other rural workers' earnings, suggesting that they have probably benefited from earnings growth in the areas where they comprise a large portion of the population. [Linda M. Ghelfi, 202-694-5437, lghelfi@econ.ag.gov]